



MEMORANDUM

DATE: May 14, 2019

TO: USAID/West Bank and Gaza, Mission Director, Monica Stein-Olson

FROM: Middle East/Eastern Europe Regional Office (Frankfurt), Sub-office Cairo, USDH NFA Coordinator, Abdoulaye Gueye /s/

SUBJECT: Cost Representation Statement Audit of USAID Resources Managed by Social Impact Inc., for the Youth Cohort Study, in West Bank and Gaza, Award No. AID-294-TO-16-00004, September 23, 2016, to December 31, 2017 (8-294-19-022-N)

This memorandum transmits the final audit report on the cost representation statement audit of USAID resources managed by Social Impact Inc. (Social Impact) for the Youth Cohort Study in West Bank and Gaza. The mission contracted with Ernst & Young to conduct the audit for the award managed by Social Impact. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards (GAGAS) and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.

The audit firm states that it performed its audit in accordance with GAGAS except that it did not participate in an external quality control review since no such program is offered by professional organizations in the West Bank and Gaza. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Social Impact's costs representation statement; the effectiveness of its internal control; or its compliance with the award terms, and applicable laws and regulations.¹

¹ We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items needing clarification or issues requiring management attention. Desk reviews are limited to review of the audit report itself and excludes review of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

The audit objectives were to (1) express an opinion on whether the cost representation statement presents fairly, in all material respects, local costs incurred for the period audited; (2) evaluate Social Impact's internal controls; (3) determine whether Social Impact complied with award terms, and applicable laws and regulations; and (4) has taken adequate corrective action on prior audit report recommendations. To answer the audit objectives, the audit firm reported that they assessed and tested the internal controls related to the project, compliance with applicable laws, regulations, the contract's provisions, and reviewed project expenditures. The audit covered \$290,702 in USAID expenditures for the audited period September 23, 2016, to December 31, 2017.

The audit firm concluded the costs representation statement presented fairly, in all material respects, local costs incurred and reimbursed under the award for the period audited. The auditors did not identify any material internal control weaknesses but identified one significant deficiency on internal controls related to properly documenting vetting approvals. In addition, the auditors identified one material instance of noncompliance with Mission Order 21 and Executive Order 13224 related to the completeness of mandatory clauses being signed and cross-referenced to the body of the contract.

As of January 31, 2019, USAID/West Bank and Gaza terminated its foreign assistance activities, and as a result, Social Impact had its activities terminated and currently has no open awards with USAID. Middle East/Eastern Europe Regional Office (Frankfurt), Sub-office Cairo is not including procedural recommendations regarding the one material internal control weakness and the one material noncompliance instance. However, if USAID/West Bank and Gaza considers future awards to Social Impact, it should ensure that adequate policies and procedures are implemented to address these findings, as detailed on pages 14 to 16 of Ernst & Young's report.

The report does not include any recommendations for your action.

We appreciate the assistance extended to the audit staff during the engagement.

The OIG does not routinely distribute independent public accounting reports beyond the immediate addressees because a high percentage of these reports contain information restricted from release under the Trade Secrets Act, 18 U.S.C. 1905 and Freedom of Information Act Exemption Four, 5 U.S.C. 552(b)(4) ("commercial or financial information obtained from a person that is privileged or confidential").